



DEPARTMENT OF THE ARMY
HEADQUARTERS, UNITED STATES ARMY, EUROPE, AND SEVENTH ARMY
DEPUTY CHIEF OF STAFF, G8 (Comptroller)
UNIT 29351
APO AE 09014

S: 14 March 03
21 February 03

AEAGF-C

MEMORANDUM FOR SEE DISTRIBUTION

SUBJECT: Secretary of the Army Productivity Enhancement Program (PEP) FY03 Competition

1. Reference memorandum, DACS-ZVD-SMD, dated 31 Jan 2003, subject as above (Encl 1).
2. The PEP provides an excellent opportunity for USAREUR to compete for HQDA funding from various sources, e.g., OMA, OMAR. This is our chance to identify initiatives that need "up-front" investment dollars that will yield high returns on investment while improving our efficiency and effectiveness. The current PEP OMA funding is \$100K, which may be increased to \$250K in the near future.
3. USAREUR guidance on applying for PEP funding is attached (Encl 2). Commands must prioritize multiple PEP submissions. HQ USAREUR functional proponents will review, comment and prioritize field proposals. The ODCS, G-3 will prioritize the final list of proposals prior to submission to HQDA. Additional information on the USAREUR PEP can be found on the DCS, G-8 website at <http://www.odcsm.hqusareur.army.mil/rmmp/PEP/PEP.htm>
4. FY03 PEP initiatives are due to this headquarters, ATTN: AEAGF-C, **NLT 14 March 03**.
5. For more information, please contact Ms. Tekeyiah Richardson, USAREUR PEP Coordinator, DSN: 370-6279, fax at DSN 370-8897 or email at Tekeyiah.Richardson@hq.hqusareur.army.mil

Encls

1. HQDA Memo, dtd 31 Jan 03
2. USAREUR Guidance
(Cont)


WILLIAM H. CAMPBELL, III
Deputy Chief of Staff, G-8

AEAGF-C

SUBJECT: Secretary of the Army Productivity Enhancement Program (PEP) FY03 Competition

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COMMANDER:

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SETAF, ATTN: ACoS, G6, UNIT 31401, BOX 5, APO AE 09630

7ATC, ATTN: RM, UNIT 28130, APO AE 09114

21ST TSC, ATTN: RM, UNIT 23203, APO AE 09263

266th FINCOM, ATTN: AEAUF, UNIT 29001, APO AE 09007

1ST PERSCOM, ATTN: AEUPE-CS, UNIT 29058, APO AE 09107

7th ARCOM, ATTN: AEUR-RM, UNIT 29238, APO AE 09102



DEPARTMENT OF THE ARMY
OFFICE OF THE CHIEF OF STAFF
200 ARMY PENTAGON
WASHINGTON DC 20310-0200

31 January 2003

Reply to
Attention of
DACS-ZVD-SMD

²¹
S: 07 April 2003

MEMORANDUM FOR SEE DISTRIBUTION

SUBJECT: Secretary of the Army Productivity Enhancement Program (PEP) FY03 Competition

1. This memo announces the FY03 PEP competition. The objective of the Productivity Enhancement Program (PEP) is to provide funds for organizations to implement good ideas that enhance business process improvements or efficiencies and generate a high return on investment in five years or less.
2. The Secretary of the Army approved the program concept and initial implementation in FY00. The PEP applies to all Army organizations TDA and TOE units except Nonappropriated Fund (NAF) activities. The latter are not eligible to participate unless the proposed investment results in savings of appropriated funds.
3. Investment opportunities may come from many sources such as:
 - a. Completed organizational self-assessments
 - b. Reinvention/reengineering initiatives
 - c. Functional reviews
 - d. State-of-the-art technologies
 - e. Results from benchmarking studies
 - f. Process action team studies
 - g. Unfinanced requirements that meet PEP guidelines
4. The suspense date for the FY03 competition is 7 Apr 03. All PEP proposals are to be submitted via email to leadingchange@hqda.army.mil. The program guidelines are posted on the Leading Change web site at <http://www.hqda.army.mil/leadingchange>. Organizations must be prepared to execute proposals, if funded, by 1 Sep 03.
5. The format for submitting PEP proposals is located at the SECARMY PEP link on the Leading Change website. At a minimum, the proposal will include specific administrative data (submitting MACOM, originator and contact numbers), a detailed description of the proposed process/system, and proposed project applicability to other commands. The proposal will require a cost analysis that fully describes current costs, investment costs, and any savings expected from implementation. The SECARMY PEP web site will provide step-by-step instructions for proposal input.

DACS-ZDV-SMD

SUBJECT: Secretary of the Army Productivity Enhancement Program (PEP) FY03 Competition

6. Major Army commands (MACOMs), Army National Guard, and U.S. Army Reserve will provide a central point of contact (POC) for processing all PEP initiatives for their command. The approval process consists of a review for technical soundness and project prioritization by the Headquarters, Department of the Army functional proponent, and selection of the top projects by an executive board.

7. The POC for the PEP is Ms. Brenda Scott at DSN 332-2760 or (703) 602-2760; email: brenda.scott@hqda.army.mil.

Original signed

STEVEN K. RANDOL

Acting Vice Director of the Army Staff
Office of Chief of Staff, Army

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US ARMY MILITARY DISTRICT OF WASHINGTON INITIATIVES OFFICE,
ATTN: ANRE (PAT MANNING)

DACS-ZDV-SMD

SUBJECT: Secretary of the Army Productivity Enhancement Program (PEP) FY03
Competition

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FY03 Productivity Enhancement Program
Implementing Instructions/Guidance

1. Purpose. The Productivity Enhancement Program (PEP) focuses on funding projects that can quickly capture a return on investment while improving the efficiency and effectiveness of Army organizations and activities. The PEP will provide dollars to fund promising investment opportunities that:

- a. Generate a high return on investment (less than 5 year payback period).
- b. Have potential for Army-wide applicability.
- c. Support the Army's Transformation Strategy.

2. Applicability and Scope.

a. The PEP applies to all Army organizations (TDA and TOE units) except for Nonappropriated Fund (NAF) activities. They are not eligible to participate unless the proposed investment results in savings of appropriated funds.

b. Weapon Systems are not a primary focus of the PEP. Total Ownership and Cost (TOC) office has specifically designed programs targeting weapons systems. Details of TOC programs can be found at web site <http://www.saalt.army.mil/armytoc/>.

3. Policy and Procedures.

a. Investment opportunities may be derived from many sources such as:

(1) Organizational Self-Assessments using Baldrige-based assessment criteria such as the Army Performance Improvement Criteria (APIC) or other sound assessment criteria.

(2) Reinvention/Reengineering initiatives

(3) Functional Area Assessments

(4) New state-of-the-art technologies

(5) Results from benchmarking studies

(6) Process Action Team reviews

(7) Good ideas

b. PEP Funding Sources. Funds for the FY03 competition are in the FY02 budget. After the FY03 midyear budget review, there is a possibility Operations and Maintenance, Army (OMA), Operations and Maintenance, National Guard (OMARNG) and Operations and Maintenance, Army Reserve (OMAR) dollars will be committed to the program to fund worthy projects. Initiatives that involve multi-year funding (e.g., procurement appropriation initiatives) are not eligible for consideration for this fiscal year.

c. Types of Investment Benefits.

(1) Cost savings. Cost savings result in a specific, quantifiable reduction to an approved Army program that is in the program or budget at the time the benefit's results are realized. The savings generated can be reallocated to unfunded requirements. For example, investment in a highly efficient production machine reduces the consumption of electricity while allowing the same level of output. The originally budgeted utilities funds for the production program are now in excess of requirements, and the excess funds can be reallocated. Cost savings examples are:

- (a) Reduced manpower costs.
- (b) Reduced or eliminated operating costs (utilities, travel, or repair).
- (c) Reduced or eliminated contracts.

(2) Cost avoidance. Cost avoidance is a quantifiable reduction in a future resource requirement that is not currently included in an approved Army program. Investment in the productivity enhancing project will eliminate the need for specific increases to current funding levels for the program. For example, a marked, yet unanticipated increase in items needing repair in a maintenance operation becomes evident. The workload increase has not been accounted for in the budget or program. Investment in productivity enhancing equipment will allow the increased workload to be absorbed without increasing labor costs, and therefore, cost avoidance has been realized. Cost avoidance examples are:

- (a) Increased production or absorption of additional workload at current staffing levels.
- (b) Eliminating the need for an increase to budgeted operating costs.
- (c) Prevention of future environmental compliance violations.

(3) Non-quantifiable or intangible benefits. Some investments yield benefits that do not lend themselves to direct, quantifiable measurement. These benefits, although difficult to assess, may be addressed in a project proposal. Though subjective in nature, qualitative statements can make a positive contribution in a proposal's evaluation. Examples of non-quantifiable or intangible benefits are improved morale, readiness, quality, or security.

d. The first priority of the PEP is to fund initiatives resulting in quantifiable cost savings. Because cost savings provide a basis for funding other Army requirements and give installation commanders additional flexibility, this benefit type is given highest priority in the investment project evaluation. Projects based on cost avoidance compete at a lower priority. Non-quantifiable and intangible benefits in conjunction with either cost savings or cost avoidance increase a project's competitiveness.

e. Benefit measures calculation. Cost savings and cost avoidance benefits and total one-time implementation and investment costs will be used to calculate the payback period for the project. The project submission will indicate whether the benefits are cost savings or cost avoidance, or the contributions of each if both are applicable.

(1) The calculation of payback period for PEP project submissions will be done using current year dollars. The payback period is that point when cumulative savings or cost avoidance equal total implementation (investment) costs. Payback period is expressed in years and/or fractions thereof.

(2) The evaluation of PEP project submissions gives considerable significance and weight to the payback period, which relies on the accurate calculation of costs and savings for its validity. It is, therefore, extremely important that all details of costs and savings projections be specified in the PEP project submissions. The higher the visibility that is afforded to elements of cost and cost savings or avoidance in proposal submissions, the better a project is able to compete in the evaluation.

f. Project submissions must meet all requirements relative to any restrictions on the funding source for specific types of expenditures established by public laws, DOD policies, and other regulatory restraints. Any recurring costs and/or cost overruns resulting from project implementation will be borne by the submitting organization.

g. Criteria for evaluating, ranking and funding PEP projects.

(1) The process to evaluate PEP projects consists of an assessment based on:

- (a) Completeness of project submission.
- (b) Compliance with PEP Implementing Instructions/Guidance.
- (c) Project compliance with applicable functional policy.
- (d) Project technical soundness.
- (e) Project feasibility.

(2) Factors involved in ranking and funding PEP projects are:

- (a) Payback period - Most important factor for the purpose of ranking projects.
- (b) Potential for Army-wide applicability.
- (c) Support for the Army's Transformation Strategy.

4. Responsibilities:

a. The Assistant Secretary of the Army for Financial Management and Comptroller ASA(FM&C) will:

- (1) Provide policy and oversight for the PEP and will evaluate the program on an annual basis.
- (2) Provide guidance as required to the Major Command (MACOM)/Installation/Activity Internal Review Offices that will be auditing the PEP projects.
- (3) Provide the Cost and Economic Analysis Center (CEAC) to act as an advisor to the Director of Management, OCSA on cost and economic analysis matters concerning the PEP projects costs and savings analyses.

b. The Director of Management, OCSA will:

- (1) Serve as the Army Staff Proponent for the Productivity Enhancement Program (PEP).
- (2) Issue the PEP Implementing Instructions/Guidance each fiscal year announcing the PEP competition and soliciting proposed projects from HQDA FOAs/ MACOMs/ Installations/Activities.
- (3) Manage the PEP link to the Leading Change Internet Site to facilitate the electronic submission, tracking and assessment of the PEP projects.
- (4) Initially screen and review proposed projects submitted to ensure that they are complete and comply with the PEP Implementing Instructions/Guidance.
- (5) Determine the appropriate HQDA functional proponent for each PEP project and then forward the project to the functional proponent to review for policy compliance, technical soundness and feasibility.
- (6) Convene a HQDA Executive Board to prioritize the projects that comply with the PEP guidance and are validated by the HQDA functional proponents.

(7) Forward the recommended PEP projects through the ASA(FM&C) to the Secretary of the Army for approval.

(8) Announce the projects that were funded, notify the PEP project submitters and coordinate the fund distribution process.

(9) Review the potential for Army-wide applicability of the PEP projects and promote exportation.

(10) Track the overall program progress and results with all participating elements.

c. HQDA Functional Proponents will:

(1) Review each project forwarded to them by the Director of Management, OCSA for :

(a) Functional policy compliance.

(b) Technical soundness.

(c) Feasibility.

(d) Compatibility and support of HQDA mission and priorities.

(e) Compatibility with existing and/or automation systems, as applicable.

(f) Cost and return on investment.

(2) Provide a rank-order recommendation for funding.

(3) Provide input concerning the potential of each project for Army-wide applicability.

d. Major Army Commands (MACOMs), Director Army National Guard, the Army Reserve Command and HQDA Field Operating Agencies (FOAs) will:

(1) Establish a central point of contact (POC) for processing PEP initiatives and forward the following data to the Leading Change mailbox at leadingchange@hqda.army.mil.

(a) Name a project POC and program manager preferably in the Resource Management/Comptroller area to implement the PEP.

(b) Provide telephone and fax numbers (commercial and DSN).

(c) Provide email addresses.

(2) Conduct a functional review and validation of the costs and savings analyses. Guidelines for a cost and economic analysis can be found on the Cost & Economic Analysis Center (CEAC) web site located at <http://www.ceac.army.mil/default.htm>. The CEAC Cost and Economic Analysis format is not required, however it may serve as a guide when calculating costs and savings.

(3) Submit proposals as an attachment electronically via email to leadingchange@hqda.army.mil. Instructions on project submission are also available at www.hqda.army.mil/leadingchange/PEP/PEPIns.htm.

(4) Establish procedures to ensure that project funds received are controlled and obligated in a timely manner.

(5) Submit a post-investment analysis and project update comparing projected savings/benefits with the actual results to the Leading Change Internet site 13 months after the receipt of project funding. If a project does not become operational within 13 months following receipt of project funding, then an explanation for the delay and proposed solution should be submitted and updated quarterly until the project is operational. The project is considered operational when it begins to function as intended, e.g., when purchased equipment is delivered, tested, accepted, and integrated either with current operations or the old operations cease to exist.

(6) Request the local Internal Review Office to perform an audit of each PEP project when the project has had sufficient operational life for an assessment of the projected costs and savings (usually one year of operation). One of the audit objectives will be to determine whether the costs and savings projected for the project, when the project was approved and funded, have been realized.

FY 2003 PEP Milestones:

a. Provide PEP Implementing Instructions/Guidance to Army elements	31 Jan 03
b. Receive PEP Project submissions	7 Apr 03
c. Complete Initial Screening and Review of Projects	28 Apr 03
d. Complete HQDA Functional Proponent review and prioritization	23 May 03
e. Brief VDAS	7 Jun 03
f. Convene HQDA Executive Board to prioritize projects	17 Jun 03
g. Notify organizations of project selection	24 Jun 03
h. Complete the fund distribution process	28 Jun 03

6. Application for SECARMY PEP Project approval and funding.

Note: Unless prior arrangements are made with the PEP Program Manager, applications will only be accepted electronically. This format has been provided to assist in assembling the information necessary to complete the online submission for a PEP project. If all the information required by this format is not submitted electronically, in the detail requested, proposed projects will not be considered for approval or funding.

a. Part I. Administrative Data:

- (1) Submitting MACOM
- (2) Submitting MACOM Official
- (3) Originating Office Symbol
- (4) Local Project Point of Contact (POC)
- (5) POC DSN Phone Number
- (6) POC DSN Fax Number
- (7) Date of Submission

b. Part II. Project Description:

- (1) Enter Project Title
- (2) Description of System/Process to be Improved/Replaced (Current System/Process)
- (3) Description of Proposed System/Process (New System/Process)
- (4) Enter applicability of Proposed System/Process to other Army Organizations
- (5) Appropriation Type

c. Part III. Cost Summary (Use Current-Year Dollars Throughout)

- (1) Current System/Process

(a) Describe Scope/Composition of Annual "Operating Costs". Specify in sufficient detail for *all* contributing cost elements to be visible, verifiable, and auditable. Describe the rationale/basis for the estimated current annual operating costs and show calculations.

(b) Enter Estimated Annual Operating Costs (Current-Year Dollars) - See Figure 1 to enter figures.

(2) Proposed System/Process

(a) Describe total one-time investment and implementation costs for the project. Specify the composition of the requested amount – e.g. equipment purchase or investment cost, and the implementation costs such as equipment installation cost and initial training for equipment use. Describe the rationale/basis for the one-time investment and implementation costs for the project and show your calculation. Project investment and implementation costs are considered one-time costs even if expended in multiple years.

(b) Enter appropriation type.

(c) Enter one-time investment and implementations costs for project. (Current-Year Dollars)–See Figure 1 to enter amounts.

(d) Describe Scope/Composition of the Proposed Annual "Operating Costs". Specify in sufficient detail for *all* contributing cost elements to be visible, verifiable, and auditable. Describe the rationale/basis for the new System/Process estimated annual operating costs and show your calculations.

(e) Enter Proposed Annual Operating Costs (Current-Year Dollars) - See Figure 1 to enter amount.

(3) Project Costs and Savings (Current-Year Dollars) See Figure 1 to enter amount.

(4) Project Roll-up (Figure 1) – Figure 1 provides a summation of the project figures. A calculation of columns B+C=D will provide the total project costs and A-D= E provides the project savings.

	A	B	C	D	E
Year	Current Operating Cost	One-Time Costs	Proposed Operating Costs	Total Project Costs	Savings
1					
2					
3					

4					
5					
6					

Figure 1

(5) Other Project Information

- (a) Enter if Project's Benefits are Cost Savings () or Cost Avoidance () or Both ()
- (b) Enter Project's projected operational date
- (c) Enter Project's Anticipated Payback Period (Years and/or fractions)
- (d) Enter Project's Anticipated Useful Life (Years and/or fractions)
- (e) Enter Project's Non-quantifiable or Intangible Benefits

(6) Enter any other information you feel would be useful in the evaluation of this proposed project.

**USAREUR Application for
SECARMY Productivity Enhancement Program (PEP) Funding.**

I. General Guidance:

A. The Commander of the submitting agencies will approve all applications prior to submission.

B. Agencies will establish a central point of contact for processing PEP initiatives and forward the following POC information to Tekeyiah.Richardson@hq.hqusareur.army.mil:

1. POC name
2. POC telephone and fax numbers (both commercial and DSN)
3. POC email address

C. Submitting agencies must ensure all PEP proposals relate to a strategic plan and the USAREUR strategic plan, and that how and where tie-ins occur are clearly stated in the proposal.

D. Submitting agencies will conduct a functional review and validation of the costs and savings analyses. When appropriate use activity based costing (ABC). Guidelines for a cost and economic analysis can be found on the Cost & Economic Analysis Center (CEAC) web site located at <http://www.ceac.army.mil/>. The CEAC Cost and Economic Analysis format is not required, however it may serve as a guide when calculating costs and savings.

E. ALL APPLICATION SUBMISSIONS WILL BE IN ELECTRONIC FORMAT. Submitting Commands must prioritize multiple submissions. All applications must conform to the format below and must be emailed to: <mailto:tekeyiah.richardson@hq.hqusareur.army.mil>
NLT COB 14 March 2003.

II. Application Format:

A. Administrative Data:

1. Originating Office Symbol
2. Project Point of Contact (POC)
3. POC DSN Phone Number [# of the Project POC]
4. POC DSN Fax Number
5. Date of Submission

B. Project Description:

1. Project Title [Limited to 100 characters]
2. Description of System/Process to be Developed/Improved/Replaced
3. Description of Proposed Alternative
4. Applicability to other Army Organizations

**USAREUR Application for
SECARMY Productivity Enhancement Program (PEP) Funding.**

C. Cost Summary (Use FY2003 Constant Dollars Throughout)

1. Current System/Process:

- a. Describe Scope/Composition of Annual "Operating Costs"
- b. Enter Projected Annual Operation Costs (Current)

FY2003	<input type="text"/>	FY2004	<input type="text"/>
FY2005	<input type="text"/>	FY2006	<input type="text"/>
FY2007	<input type="text"/>	FY2008	<input type="text"/>

2. Proposed System/Process

- a. Investment and Implementation Amount Requested
- b. Appropriation Type
- c. Describe Scope/Composition of Annual "Operating Costs"
- d. Enter Projected Annual Operation Costs (Current)

FY2003	<input type="text"/>	FY2004	<input type="text"/>
FY2005	<input type="text"/>	FY2006	<input type="text"/>
FY2007	<input type="text"/>	FY2008	<input type="text"/>

- e. Project's Anticipated Pay-off Date (FY)
- f. Project's Anticipated Total Return on Investment

3. Enter link to your strategic plan and USAREUR strategic plan, and any other information you feel would be useful in the evaluation of this proposal.

III. Please direct any questions or concerns to the USAREUR PEP Coordinator, Ms. Tekeyiah Richardson, DSN 370-6279. She may also be reached via FAX DSN 370-6279 or email at Tekeyiah.Richardson@hq.hqusareur.army.mil